

ORIGINAL

MEMORANDUM



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AZ CORP COMMISSION  
DOCUMENT CONTROL

TO: Docket Control

FROM: Ernest G. Johnson  
Director  
Utilities Division

DATE: January 19, 2007

RE: Arizona Water Company Request for Additional Time to Comply with Filing Requirements of Decision No. 68442. Docket No. W-01445A-05-0389

On February 2, 2006, in Decision No. 68442, the Arizona Corporation Commission approved an extension of the Certificate of Convenience and Necessity of Arizona Water Company ("the Company") for its City of Coolidge system. Compliance to that Decision was due by February 2, 2007. On December 27, 2006, the Company filed a request for an additional 365 days, until February 2, 2008, to complete the filings necessary for full compliance with the Decision.

The Company was required to file line extension agreements, letters of Assured Water Supply and Approvals to Construct for each of the three developments in the extension area. The Company has fulfilled some of those requirements. However, according to the Company it is unable to fulfill the remaining requirements due to ownership changes of land in the extension area and delays on the part of the developers.

Staff recommends that the Company be required to file documentation from the developers or owners of the three parcels referenced in the application addressing why the developments have been delayed and demonstrating their continued need for service.

EGJ:LAJ:tdp

Originator: Linda A. Jaress

Arizona Corporation Commission  
**DOCKETED**

JAN 19 2007

DOCKETED BY	
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**ORIGINAL****BEFORE THE ARIZONA CORPORATION COMMISSION**

2006 DEC 27 A 10:25

**COMMISSIONERS**

Jeff Hatch-Miller - Chairman  
 William A. Mundell  
 Mike Gleason  
 Kristin K. Mayes  
 Barry Wong

AZ CORP COMMISSION  
 DOCUMENT CONTROL

Arizona Corporation Commission

**DOCKETED**

DEC 27 2006

DOCKETED BY

nr

IN THE MATTER OF THE APPLICATION  
 OF ARIZONA WATER COMPANY FOR  
 AN EXTENSION OF ITS CERTIFICATE  
 OF CONVENIENCE AND NECESSITY  
 AT COOLIDGE, PINAL COUNTY,  
 ARIZONA

**DOCKET NO. W-01445A-05-0389**

NOTICE OF FILING OF COMPLIANCE  
 ITEMS/REQUEST FOR ADDITIONAL TIME  
 TO COMPLY WITH FILING  
 REQUIREMENT

On February 2, 2006 the Commission entered Decision No. 68442 in the above-captioned docket. Decision No. 68422 (the "Decision") approved Arizona Water Company's (the "Company") application for an extension of its Certificate of Convenience and Necessity for its Coolidge system. The first ordering paragraph of the Decision, at page 5, conditioned the approval of the extension on the conditions recommended by Staff, as set forth in Finding of Fact No. 18 that provided, in pertinent part, as follows:

That the Company file, within 365 days of the effective date of the Decision, with Docket Control as a compliance item:

1. A copy of the respective developer's Certificate of Assured Water Supply, issued by the Arizona Department of Water Resources for the expansion area.

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2. Copies of any executed main extension agreements.

3. Copies of the respective Certificates of Approval to Construct Issued by the Arizona Department of Environmental Quality for the construction of mains in the three extension areas.

In compliance with the foregoing paragraphs, the Company is now filing with Docket Control copies of the following documents:

1. For the Skousen Farms development (Parcel One in the Decision), a copy of developer's Certificate of Assured Water Supply, which is attached hereto as Exhibit A.

2. For the Lorensen Land and Cattle development (Parcel Three in the Decision), copies of the developer's ADEQ Certificate of Approval to Construct and a main extension agreement that has been approved by the Commission are attached hereto as Exhibit B.

In addition to the foregoing information, the Company points out the following information:

1. The Lorensen Land and Cattle development in Parcel Three will not involve subdivided land. Therefore, pursuant to A.R.S. 45-576, a developer's Certificate of Assured Water Supply is not necessary.

2. With respect to the Skousen Farms development, the developer's engineers are working with the Arizona Department of Environmental

1 Quality to obtain a Certificate of Approval to Construct. When the  
2 Certificate is obtained, the developer will then be ready to proceed with  
3 efforts to enter into a main extension agreement with the Company.  
4

- 5 3. With respect to the Vail 106 LLC development (Parcel Three in the  
6 Decision), the property has been sold again, this time to Kam Talebi, a  
7 Pinal County developer, who acquired the property from Clayton  
8 McNight. The Company believes, and is attempting to confirm in  
9 writing Mr. Talebi, that Mr. Talebi is presently determining whether he  
10 wants to develop or sell the property, but, in either case, he desires that  
11 the Company retain a Certificate of Convenience and Necessity for his  
12 property, and either he, or the new owner, require water service for the  
13 planned development.  
14

15 In consideration of the foregoing significant progress toward being in full  
16 compliance with the Decision's conditions concerning main extension agreements,  
17 Certificates of Assured Water Supply and certificates of Approval to Construct, the  
18 Company respectfully requests another year, until February 2, 2008, to comply with the  
19 conditions. This request should not prejudice any other party and, as noted above, the  
20 lack of an extension would result in significant adverse prejudice to the developers and  
21 landowners who are proceeding in good faith to develop their property in reliance upon  
22 the Decision.  
23

24 RESPECTFULLY SUBMITTED this 27<sup>th</sup> day of December 2006.  
25

26 ARIZONA WATER COMPANY

27 By: Robert W. Geake  
28 Robert W. Geake  
Vice President and General Counsel  
ARIZONA WATER COMPANY  
Post Office Box 29006  
Phoenix, Arizona 85038-9006

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1 Original and thirteen (13) copies of the foregoing filed the 27<sup>th</sup> day of December 2006  
2 with:

3 Docket Control Division  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 A copy of the foregoing was mailed this 27<sup>th</sup> day December 2006 to:

8 Christopher Kempley, Chief Counsel  
9 Legal Division  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 Ernest G. Johnson, Director  
14 Utilities Division  
15 Arizona Corporation Commission  
16 1200 West Washington Street  
17 Phoenix, Arizona 85007

18 By: Robert W. Nease  
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## EXHIBIT A

**STATE OF ARIZONA  
DEPARTMENT OF WATER RESOURCES  
CERTIFICATE OF ASSURED WATER SUPPLY**

This is to certify that

**Skousen & Highway 87, LLC, an Arizona Limited Liability Company**  
has met the requirements of A.R.S. §§ 45-576, 45-579, and the applicable regulations, and

By powers vested in the Director of the Arizona Department of Water Resources by the  
State of Arizona, and subject to the conditions contained in the applicable regulations.

Is issued this Certificate of Assured Water Supply for

**Skousen Farms  
Sections 17, & 18 Township 5 South, Range 8 East  
GSRB&M Pinal County, Pinal Active Management Area**

Sufficient water of adequate quality will be continuously available to satisfy the water demand of the referenced subdivision for at least one hundred years. The referenced subdivision consists of 1,300 lots as described in the preliminary plat on file with the Department, and has an estimated water demand of 850.29 acre-feet per year.

The subdivision will be served groundwater by Arizona Water Company - Coolidge.

This Certificate is invalid as to any entity not named above. A subsequent owner of the referenced property may apply for a new certificate pursuant to A.A.C. R12-15-708, within 90 days of the change of ownership. This Certificate may be assigned pursuant to A.R.S. § 45-57

Certificate Number: 27-401939.0000



**ARIZONA DEPARTMENT OF WATER RESOURCES**

*Sandra Fabritz-Whitney*  
Assistant Director

6/23/2006  
Date

①

When recorded, please return to:  
 Central Arizona Water  
 Conservation District  
 P.O. Box 43020  
 Phoenix, Arizona 85080-3020  
 Attn: Manager, Groundwater  
 Replenishment District



OFFICIAL RECORDS OF  
 PINAL COUNTY RECORDER  
 LAURA DEAN-LYTTLE

DATE/TIME: 05/30/06 1347  
 FEE: \$12.00  
 PAGES: 7  
 FEE NUMBER: 2006-076806

**DECLARATION OF COVENANTS, CONDITIONS  
 AND RESTRICTIONS FOR  
 SKOUSEN FARMS  
 REGARDING MEMBERSHIP IN THE CENTRAL ARIZONA  
 GROUNDWATER REPLENISHMENT DISTRICT**

This Declaration of Covenants, Conditions and Restrictions for Skousen Farms Regarding Membership in the Central Arizona Groundwater Replenishment District is made this 5th day of May, 2006, by Skousen & Highway 87, L.L.C., an Arizona limited liability company.

**RECITALS**

A. Declarant is the owner of the Property, legally described in Exhibit A attached and incorporated into this Declaration.

B. Declarant has applied to the Department for a certificate of assured water supply for the property pursuant to Arizona Revised Statutes Title 45, Chapter 2, Article 9.

C. As permitted by Arizona Revised Statutes § 45-576.01(B), Declarant desires to satisfy one requirement for obtaining a certificate of assured water supply by qualifying the Property as Member Land pursuant to the Groundwater Replenishment Statute. As Member Land, the Property will be a member of the Central Arizona Groundwater Replenishment District, an operating subdivision of the CAWCD.

D. To qualify the Property as Member Land, the Groundwater Replenishment Statute requires Declarant to subject the Property to this Declaration.

E. To permit the delivery of Excess Groundwater to the Property as Member Land, each Parcel must be subject to the Parcel Replenishment Obligation, the Replenishment Assessment, the Activation Fee and the applicable Replenishment Reserve Fee to be determined by CAWCD.

F. Qualifying the Property as Member Land and subjecting the Property to the Parcel Replenishment Obligation, the Replenishment Assessment, the Activation Fee and the Replenishment Reserve Fee directly benefits the Property by increasing the potential of the Property to qualify for a certificate of assured water supply issued by the Department

pursuant to Arizona Revised Statutes Title 45, Chapter 2, Article 9, thereby allowing the development, use and enjoyment of the Property.

NOW, THEREFORE, Declarant hereby declares that the Property shall be held, sold and conveyed subject to the covenants, conditions and restrictions contained in this Declaration.

#### **ARTICLE 1 DEFINITIONS**

1.1 "Activation Fee" means the fee established by CAWCD for the purpose of raising funds to pay a portion of the costs associated with acquisition and development of water supplies and infrastructure necessary for CAWCD to perform its obligations under Article 4 of the Groundwater Replenishment Statute. The Activation Fee is equal to the per-unit fee established by the CAWCD Board of Directors multiplied by the total number of housing units to be constructed within that portion of the Property owned by the Owner.

1.2 "CAWCD" means the Central Arizona Water Conservation District, a political subdivision of the State of Arizona, and any successor political subdivision.

1.3 "Declarant" means Skousen & Highway 87, L.L.C., an Arizona limited liability company.

1.4 "Declaration" means this Declaration of Covenants, Conditions and Restrictions for Skousen Farms Regarding Membership in the Central Arizona Groundwater Replenishment District, as amended from time to time.

1.5 "Department" means the Arizona Department of Water Resources, an agency of the State of Arizona, and any successor agency.

1.6 "Excess Groundwater" means the amount of Groundwater equal to the amount of Groundwater delivered to the Property in a calendar year in excess of the amount of Groundwater that may be used at the Property in that calendar year consistent with the applicable Assured and Adequate Water Supply Rules adopted by the Department for the Pinal Active Management Area pursuant to Arizona Revised Statutes § 45-576(H).

1.7 "Groundwater" is as defined in Arizona Revised Statutes § 45-101(5).

1.8 "Groundwater Replenishment Statute" means Arizona Revised Statutes Title 48, Chapter 22.

1.9 "Member Land" is as defined in Arizona Revised Statutes § 48-3701(10).

1.10 "Owner" means the Person or Persons who individually or collectively own fee title to a Parcel, provided that if fee title to a Parcel is vested in a trustee under a deed of trust under Arizona Revised Statutes Title 33, Chapter 8.1, the owner of the trustor's interest under the deed of trust is deemed to be the "Owner" of that Parcel.



1.11 "Parcel" means any portion of the Property now existing or hereafter established for which the tax assessor for the county in which the Property is located has issued a separate tax parcel number.

1.12 "Parcel Replenishment Obligation" means, with respect to any particular Parcel, an amount of Groundwater that is equal to the amount of Groundwater delivered to the Parcel in a calendar year multiplied by the percentage that the Excess Groundwater of the Property for that year bears to the total amount of Groundwater delivered to the Property during that year.

1.13 "Person" means a natural person, corporation, business trust, estate, trust, partnership, association, limited liability company, limited liability partnership, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

1.14 "Property" means the real property described in Recital A.

1.15 "Replenishment Assessment" means the annual assessment levied by CAWCD against a Parcel in a calendar year based on the Parcel Replenishment Obligation applicable to that Parcel during that year, including any applicable Replenishment Reserve Charge.

1.16 "Replenishment Reserve Charge" means the charge established annually by CAWCD pursuant to Arizona Revised Statutes § 48-3772(E) and included in the Replenishment Assessment.

1.17 "Replenishment Reserve Fee" means the fee that must be levied by CAWCD pursuant to Arizona Revised Statutes § 48-3774.01. The fee is equal to twice the Replenishment Reserve Charge multiplied by the total projected annual Excess Groundwater demand for Skousen Farms as reported by the Department pursuant to Arizona Revised Statutes § 45-578(F).

## **ARTICLE 2 COVENANT FOR REPLENISHMENT ASSESSMENT**

2.1 Replenishment Assessment. Each Parcel is hereby made subject to the Replenishment Assessment based on the Parcel Replenishment Obligation in an amount to be determined by CAWCD as necessary to allow CAWCD to perform its obligations under Article 4 of the Groundwater Replenishment Statute.

2.2 Levy of Replenishment Assessment. CAWCD shall levy the Replenishment Assessment against each Parcel in accordance with Arizona Revised Statutes § 48-3778.

2.3 Interest, Costs and Penalties. If the Replenishment Assessment is not paid when due, CAWCD will be entitled to interest, costs and penalties as provided by law.

### ARTICLE 3 COVENANT FOR REPLENISHMENT RESERVE FEE

**3.1 Replenishment Reserve Fee.** Each Parcel that has qualified as a Category 1 member land pursuant to Arizona Revised Statutes § 48-3774.01 is hereby made subject to the Replenishment Reserve Fee based on a pro rata distribution of the total projected annual Excess Groundwater demand for Skousen Farms as reported by the Department pursuant to Arizona Revised Statutes § 45-578(F).

**3.2 Payment of Replenishment Reserve Fee.** In accordance with Arizona Revised Statutes § 45-578(C), the Replenishment Reserve Fee must be paid by the Owner to CAWCD prior to the issuance of a public report by the state real estate commissioner authorizing the sale or lease of subdivided lands within that portion of the Property owned by the Owner. With the approval of CAWCD and the Department, long-term storage credits, as defined in Arizona Revised Statutes § 45-802.01, may be assigned by the Owner to CAWCD's replenishment reserve subaccount in lieu of paying the Replenishment Reserve Fee.

**3.3 Interest, Costs and Penalties.** If the Replenishment Reserve Fee is not paid when due, CAWCD will be entitled to interest, costs and penalties as provided by law.

**3.4 Not Applicable to Category 2 Member Land.** This Article 3 shall not apply to those parcels of the Property that have qualified as Category 2 member land pursuant to Arizona Revised Statutes § 48-3774.01.

### ARTICLE 4 COVENANT FOR PAYMENT OF ACTIVATION FEE

**4.1 Activation Fee.** Each subdivision that qualifies as a member land pursuant to Arizona Revised Statutes § 48-3774 is hereby made subject to the Activation Fee.

**4.2 Payment of Activation Fee.** The Activation Fee must be paid by the Owner to CAWCD prior to the issuance of a public report by the state real estate commissioner authorizing the sale or lease of subdivided lands within that portion of the Property owned by the Owner.

**4.3 Interest, Costs and Penalties.** If the Activation Fee is not paid when due, CAWCD will be entitled to interest, costs and penalties as provided by law.

### ARTICLE 5 COVENANT FOR CREATION OF LIEN

**5.1 Creation of Lien and Personal Obligation.** Declarant, for each Parcel, hereby covenants and agrees, and each Owner (other than Declarant), by becoming the Owner of a Parcel, is deemed to covenant and agree, to pay the Replenishment Assessment, Activation Fee and Replenishment Reserve Fee to CAWCD in accordance

with this Declaration and the Groundwater Replenishment Statute. The Replenishment Assessment, together with interest, costs, and penalties as provided by law, constitutes a continuing lien on the Parcel against which such Replenishment Assessment is levied, as provided by Arizona Revised Statutes § 48-3778. A Replenishment Assessment, together with interest, costs and penalties, is also a personal obligation of each Person who was an Owner of a Parcel at the time such Replenishment Assessment came due.

**5.2 Remedies for Nonpayment of Replenishment Assessment.** In the event of delinquency of any Replenishment Assessment, CAWCD has the rights and remedies provided in Arizona Revised Statutes § 48-3778.

## **ARTICLE 6 GENERAL PROVISIONS**

**6.1 Binding Effect.** The Property shall be held, sold and conveyed subject to this Declaration. By acceptance of a deed or by acquiring any portion of or any interest in the Property, each Owner is bound by all the covenants, conditions and restrictions now or hereafter imposed by this Declaration. The covenants, conditions and restrictions contained in this Declaration run with the land and bind Declarant, all Owners, and all successors and assigns of Declarant or any Owner. Declarant agrees and covenants to CAWCD to execute and record any additional documentation which CAWCD may reasonably require to effectuate the intents and purposes of this Declaration and the Groundwater Replenishment Statute.

**6.2 Amendments.** This Declaration may be modified, amended or revoked only (I) by the express written agreement of CAWCD, the Department and the Owners of 67% of the total area of the Property; or (II) by amendment statutes, rules or regulations or successor statutes, rules or regulations, as contemplated by Paragraph 6.4.

**6.3 Interpretation.** This Declaration must be construed and interpreted in accordance with and in reference to the laws of the State of Arizona, including but not limited to the Groundwater Replenishment Statute.

**6.4 Rules, Regulations and Successor Statutes.** All references in this Declaration to Arizona Revised Statutes include all rules and regulations promulgated by the Department under such statutes and all amendments and successor statutes, rules and regulations to such statutes, rules and regulations.

**6.5 Severability.** Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable does not affect the validity or enforceability of any other provision of this Declaration.

**6.6 Captions.** All captions, titles or headings in this Declaration are used for the purpose of reference and convenience only and do not limit, modify or otherwise affect any of the provisions of this Declaration.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the date first set forth above.

**DECLARANT:**

SKOUSEN & HIGHWAY 87, L.L.C., an Arizona limited liability company

By: RMG REAL ESTATE SERVICES II, L.L.C., an Arizona limited liability company

Its: Member

By: RH McRae  
Ronald H. McRae

Its: Member

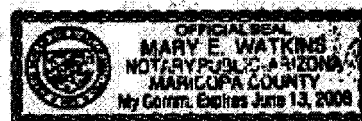
STATE OF Arizona )  
County of Maricopa ) ss.

The foregoing instrument was acknowledged before me this 5 day of MAY, 2006, by Ronald H. McRae, the Member of RMG Real Estate Services II, L.L.C. on behalf of Skousen & Highway 87, L.L.C.

Mary E. Watkins  
Notary Public

My commission expires:

June 13, 2008



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060.02.01

**EXHIBIT A**

**Parcel No. 1:**

**The Southwest quarter of Section 17, Township 5 South, Range 8 East, of the Gila and Salt River Base and Meridian, Pinal County, Arizona.**

**Parcel No. 2:**

**The Southeast quarter of Section 18, Township 5 South, Range 8 East, of the Gila and Salt River Base and Meridian, Pinal County, Arizona.**

## EXHIBIT B



**ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY  
CERTIFICATE OF APPROVAL TO CONSTRUCT  
WATER FACILITIES**

Page 1 Of 1

<b>ADEQ File No:</b> 20050229	
<b>System Name:</b> Az Water Co - Coolidge	<b>System Number:</b> 11014
<b>Project Owner:</b> Az Water Co	
<b>Address:</b> P.O. Box 29006, Phoenix, AZ 85038	
<b>Project Location:</b> Coolidge	<b>County:</b> Pinal
<b>Description:</b> INSTALL APPROXIMATELY 5,900 L.F. OF 8" PVC AND 5,440 L.F. OF 12" PVC WATER LINES IN EASEMENTS ALONG CLEMANS RD., KENILWORTH RD. AND THROUGHOUT PARCEL 1C AS PER APPROVED DWG CL-268.	

*Approval to construct the above-described facilities as represented in the approved documents on file with the Arizona Department of Environmental Quality is hereby given subject to provisions 1 through 4 continued on page 1 through 1*

1. This project must be constructed in accordance with all applicable laws, including Title 49, Chapter 2, Article 9 of the Arizona Revised Statutes and Title 18, Chapter 5, Article 5 of the Arizona Administrative Code.
2. Upon completion of construction, the engineer shall fill out the Engineer's Certificate of Completion and forward it to the Central Regional Office located in Phoenix. If all requirements have been completed, that unit will issue a Certificate of Approval of Construction. R18-5-507(B), Ariz. Admin. Code. At the project owner's request, the Department may conduct the final inspection required pursuant to R18-5-507(B); such a request must be made in writing in accordance with the time requirements of R18-5-507(C), Ariz. Admin. Code.
3. This certificate will be void if construction has not started within one year after the Certificate of Approval to Construct is issued, there is a halt in construction of more than one year, or construction is not completed within three years of the approval date. Upon receipt of a written request for an extension of time, the Department may grant an extension of time; an extension of time must be in writing. R18-5-505(E), Ariz. Admin. Code.
4. Operation of a newly constructed facility shall not begin until a Certificate of Approval of Construction has been issued by the Department. R18-5-507(A), Ariz. Admin. Code.

Reviewed by

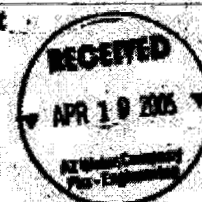
By: 

4/13/05

Date

Technical Engineering Unit  
Water Quality Division

cc: File No: 20050229  
Regional Office: Central  
Owner: Az Water Co  
County Health Department: Pinal  
Engineer: Az Water Co.  
Planning and Zoning/Az Corp. Commission  
Engineering Review Database - EIR021





**COMMISSIONERS**  
JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES



BRIAN C. McNEIL  
Executive Secretary

**ARIZONA CORPORATION COMMISSION**

2-3841

June 30, 2005

Mr. Mike Loggins  
Arizona Water Company  
Post Office Box 29006  
Phoenix, Arizona 85038-9006

Dear Mr. Loggins:

The enclosed Main Extension Agreement between Arizona Water Company - Coolidge and Rob McIntyre has met the provisions of A.A.C. R14-2-406, or company approved tariffs, and is approved, excepting those provisions, if any, not within the jurisdiction of the Arizona Corporation Commission.

A copy of this agreement will remain on file in the Utilities Division's Central Files.

Sincerely,

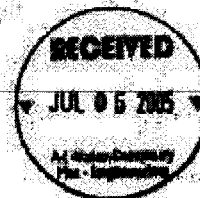
*Bradley G. Morton*

Bradley G. Morton  
Public Utilities Consumer Service Analyst II  
Utilities Division

BGM:cal

Enclosures

cc: Brian Bozzo





# ARIZONA WATER COMPANY

Arizona Water Company  
PO Box 1668  
Coolidge, Arizona 85226

## AGREEMENT EXTENSION WATER FACILITIES

CUSTOMER: Rob McIntyre  
22628 S. 214th Way  
Chandler, AZ 85242  
City and State

Contract No. 3371  
W.A. No. 2-3841

DATE OF AGREEMENT January 26, 2005

CONSTRUCTION START: Approximately 15 days after receiving all material and obtaining all necessary permits and approvals.

PROJECT COMPLETION: Estimated to be within 45 (forty-five) days from the start date.

DATE OF COST ESTIMATE (Attachment "A") January 26, 2005

WATER SYSTEM Coolidge

WATER FACILITIES: Install approximately 3,800 LF of 8" C-900 in an easement, west from McGee Road to serve a portion of Parcel 1C known as McIntyre/Greasey Property in the community of Valley Farms east of Coolidge, AZ. In a portion of the SW 1/4 Sec. 30 T.5S., R.9E., Easements are shown on drawing (Attachment "A") as per drawing (Attachment "A").

### REFUNDABLE ADVANCE

IN AID OF CONSTRUCTION for: Install 3,800 LF of 8" C-900 pipe and services for four lots all with related fittings

NON-REFUNDABLE CONTRIBUTION for: \_\_\_\_\_

AGREEMENT TOTAL \$ \_\_\_\_\_  
LESS: MAIN EXTENSION DEPOSIT RECEIVED \$ \_\_\_\_\_  
BALANCE DUE \$ \_\_\_\_\_

THIS AGREEMENT is made and entered into by and between ARIZONA WATER COMPANY, an Arizona corporation, (hereinafter called the "Company"), and the Customer above. In consideration of the services to be performed by the Company and the sum of money to be paid by the Customer, in accordance with the related Cost Estimate as follows:

1. The Company will construct, or will arrange for the construction of the Water Facilities as described above.
2. The Customer will pay to the Company upon signing this Agreement the Total shown above, receipt of which is hereby acknowledged by the Company. The Total is to be paid by the Customer to the Company in the Company's estimated cost of construction of the Water Facilities. The Company will determine and inform the Customer of the actual cost of construction within sixty (60) days after the completion of construction or the Company's receipt of all invoices and charges related to the construction. If the Company's actual cost of construction is less than the Total amount paid, the Company will refund the difference to the Customer; conversely, if the Company's actual cost of construction is more than the Total amount paid, the Customer shall pay the difference to the Company within sixty (60) days of receipt of an invoice from the Company. However, if the actual cost is more than five percent (5%) greater than the Total amount paid, the Customer will only be required to pay the percent (5%) more the amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the Total was made. The Company and the Customer further agree that the amount subject to refund pursuant to paragraph 2 of this Agreement shall be the refundable advance less the Company's actual cost of construction. Information about the actual cost of construction will be attached to this Agreement and forwarded to the Customer.
3. Refunds of any advance in aid of construction shall be made as follows: Each year for a period of 10 years the Company shall pay to the Customer or the Customer's successor in interest, provided the Company has first received written notice and evidence of such assignment or succession and approval of same, an amount equal to the total gross annual revenue received by the Company from water sales to each lot in this customer whose service line is directly connected to pipeline pursuant to this Agreement. Refunds shall be made by the Company on or before August 31 of each year, covering any water revenues received during the preceding June 30 period. Any balance remaining subject to refund at the end of the 10-year period shall become non-refundable. Appropriate refunds shall be in no event exceed the refundable advance in aid of construction received from the Customer. No interest shall be paid by the Company on any amounts paid hereunder.
4. All Water Facilities installed under this Agreement shall be the sole property of the Company, and the customer shall have no right, title or interest in or to any such facility.
5. The size, design, type and quality of materials and of the system, location and manner of installation, shall be specified by the Company and shall comply with rules of the Arizona Corporation Commission or other public agencies having authority therefor.
6. The Customer agrees to furnish to the Company schedule and recordable easements and required surveying necessary to serve each parcel or lot within the subdivision, tract, development, or project.
7. The Customer agrees that all easements and rights-of-way shall be free of obstacles which may interfere with the construction of the Company's Water Facilities. The Customer's subdivision, tract, development, or project involves road construction, all roads and driveways will be brought to grade by the Customer prior to commencement of the installation of the Company's Water Facilities. No pavement or curbs shall be installed prior to completion of all Water Facilities. If any street, road or driveway is installed at a different grade or location after the beginning of the installation of Water Facilities, the Customer shall bear all costs incurred by the Company to relocate the Water Facilities as a result of said facilities having improper cover or location. Such costs shall be non-refundable.
8. The Customer agrees to pay to the Company any additional costs incurred as a result of design changes made or caused by the Customer or its employees, agents, contractors or subcontractors, the Arizona Department of Environmental Quality, the Arizona Corporation Commission, any county health department or other public agency under whose jurisdiction the subject construction may fall, or anticipated or un-anticipated changes in existing Company facilities, due to any work associated with subdivision, tract, development or project which causes said facilities to have improper cover or location.
9. This Agreement shall be binding upon and for the benefit of the successors and assigns of the Company and the Customer. No assignment or transfer of this Agreement shall be binding upon the Company or create any rights in the assignee until such assignment or transfer is approved and accepted in writing by the Company.
10. This Agreement, and all rights and obligations hereunder, including those regarding water service to the Customer, are subject to the Arizona Corporation Commission and Regulations Relating to the Operation of Domestic Water Utility Companies and the Company's tariff schedule TC-545, "Terms and Conditions for the Private Service."

ARIZONA WATER COMPANY  
Company

Date Approved: 1-30-05

ROB MCINTYRE  
Customer

By: Kay Mung  
Title: 1st. Supt

Decision No.: \_\_\_\_\_  
Director of Utilities  
Arizona Corporation Commission

By: [Signature]  
Customer



